THOMAS MILLER INVESTMENT

View from the Front

11th September to 17th September 2017

In the rear view mirror of last week we saw

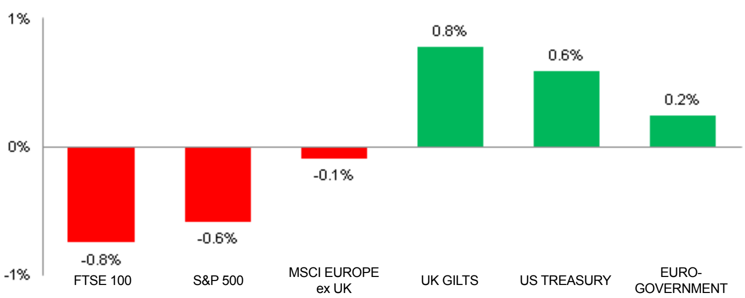
- Our American cousins dominated news flow last week, despite having a shortened week with Labor Day being celebrated on the Monday. The catastrophic hurricane-related events have resulted in Trump kicking the debt ceiling can down the road – the issue that has been hanging over them has been extended until December 15th to provide hurricane relief aid. This was expected as the potential of a government shutdown during the crisis would be seen as inconceivable.
- The Federal Reserve's (Fed) Vice-Chair, Stanley Fischer, also announced his unexpected resignation – this was particularly surprising as he was already scheduled to step down next June. The impact of his resignation is potentially significant for a couple of reasons. Firstly, he is seen as a relatively hawkish member of the Federal Open Market Committee (FOMC), meaning that he has been in favour of raising interest rates. Secondly, it has resulted in four vacant seats on the committee, and this provides Trump the power to handpick replacements – he has publicly stated his discontent at the strength of the dollar and the impact this is having on trade for the nation. What makes this important, is that it could result in an FOMC that vote to leave rates lower for longer, stalling the momentum Fed Chair, Janet Yellen, has been building by raising interest rates three times.
- Another interesting aspect this could create, that we will be watching closely, is whether Trump takes advantage of his position to put together a committee that share his views on regulation in the financial sector and wanting to reducing the 'red tape' the sector faces. For what has been a lacklustre term to date, could this be the bit of luck Trump needs to pass at least one of the policies promised in the run up to the election?
- The bigger event closer to home came from the European Central Bank's (ECB) meeting in which they announced their decision on current monetary policy. No changes were made to interest rates, as expected, or to their stance on quantitative easing (QE) and potentially reducing it. Having said that, ECB President Mario Draghi did indicate they will announce their decision on reducing QE, known as tapering, at their next meeting in October.
- Changes that the ECB did make, however, were to their forecasts of economic growth and inflation, which were revised in opposite directions. The good news for the bloc was their economic growth outlook for this year was increased to 2.2%, up from their previous estimate of 1.9%. The bad news, however, is that their battle with low inflation continues, as they revised their inflation outlook down marginally to 1.2% for 2017. This is attributed to the recent strength of the Euro – essentially, they are experiencing the opposite issue we are having over here in the UK.
- With no progress seeming to appear with the UK's Brexit negotiations, it has the feel of a broken record. EU chief Brexit negotiator, Michel Barnier, restated his disappointment with the UK's position, stating "the UK needs to tell us what it wants and we will see what is possible". The contentious issues that are contributing to the stalemate continue to be the financial settlement and Irish border.

Front and centre of our thoughts this week include

- Expect the UK to feature heavily this week, with the Bank of England's Monetary Policy Committee (MPC) meeting on Thursday to agree on any changes to interest rates and QE. With economic growth remaining subdued, the general consensus is that there will be no changes to either. A couple of days prior to the meeting, however, will be the latest release of UK inflation which is expected to tick up marginally, remaining well above the central bank's target of 2%. Wednesday we also get the UK's latest unemployment rate, which is currently at its lowest for over 40 years.
- The FOMC will be eagerly awaiting inflation figures for the US, which will be released on Thursday. Inflation, as measured by the Consumer Price Index (CPI), has been ticking downwards this year, and if the Fed wishes to continue their interest rate hiking cycle, they will be hoping the momentum reverses with CPI picking up again.
- It is a relatively quiet week over in the Euro area this week, with the most notable data release coming on Wednesday in the form of industrial production (IP). Manufacturing sentiment has been on an upward trajectory this year – as such, it's no surprise that IP is estimated to have increased along with sentiment.

In the side view mirrors of corporate activity we notice

- It was a tough week for the US-based credit reporting agency, Equifax, as they revealed hackers have accessed the details of 143m US consumers. Their share price plummeted 13% on the news, with the company saying the raid went on for two and a half months before it was detected. To complicate matters further, public filings reveal three senior executives, including the chief financial officer, sold a portion of their shares shortly after the attack was detected.
- As Rathbones announced their potential merger talks with Smith & Williamson failed, they have since stated they are investigating the possibility of market abuse. This is in relation to their share price plunging by as much as 11%, which coincided with an anonymous post on social media site, Reddit.



Source: Bloomberg. Figures are for the period 4th September to 9th September 2017. Where the index is in a foreign currency, we have provided the local currency return.

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The above charts provide the performance for the three developed market geographies where the TMWM MPS portfolios maintain their largest exposure.
All investments and indexes can go down as well as up. Past performance is not a reliable indicator of future performance.

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